

By KARI BRAY

The Daily Herald 10/3/14 S. Whidbey record

Confusion about a funding agreement contributed to the sudden end of an eight-year, multimillion-dollar tidal energy project near Whidbey Island.

The Snohomish County Public Utility District announced Tuesday that it will no longer pursue a research project that would have placed two undersea turbines in Admiralty Inlet. PUD officials said they could not move forward because the U.S. Department of Energy decided not to fund a full 50 percent of the project.

Steve Erickson of Whidbey Environmental Action Network, however, said he believes a conflict with the company that owns a fiber-optic submarine cable system was what really doomed the project. Pacific Crossings was laying the groundwork for a lawsuit, he said.

"They were not at all pleased with having the turbines 100 meters away from the cable, which is considered essential national infrastructure," he said. "And rightly so."

Both WEAN and Pacific Crossing filed as intervenors with Federal Energy Regulatory Commission after the PUD submitted a license application for the project.

While Erickson said he's obviously in favor of clean energy, he prefers small-scale projects over the "industrialization of the Puget Sound."

The Department of Energy agreed in 2010 to share some of the costs. At the time, the project's price tag was \$20 million.

Now, both agencies dispute what they agreed to four years ago.

PUD General Manager Steve Klein says the DOE was going to pay half of the project cost, which was promised in a "gentlemen's agreement." DOE officials say their contribution was spelled out in a clearly framed contract, and they'll give no more than \$10 million — half of the project's cost when the contract was signed.

Costs have since ballooned to \$38 million. When DOE officials last week told the PUD they wouldn't get anything beyond the \$10 million, the PUD decided to kill the project.

The federal agency contributed \$3.5 million in taxpayer money to the project before the plug was pulled.

"In our perspective, it was understood that they were a long-term partner," Klein said. "Now, as we're heading into the final go or no-go, they denied funding."

Jose Zayas, director of the U.S. Department of Energy's Wind and Water Power Technologies Office, last week denied a PUD request for an additional \$8.85 million.

In an email to Klein, Zayas wrote that the DOE was committed to contributing the original \$10 million.

"By maintaining this level of funding, the program is honoring our signed contractual agreement and maintaining the integrity of the competitive award process," Zayas wrote.

He urged the PUD to consider "downscoping" the project to bring it back within budget. He also acknowledged the "burdensome review, licensing and permitting processes" PUD officials have cited as the main reason for cost hikes.

"It is my hope that we can find a path forward," Zayas wrote.

The PUD has spent less than \$8 million on tidal energy to date, with about \$3.5 million coming from the Department of Energy, Klein said. The deadline for contractors to bid on manufacturing and installing the turbines was Wednesday, the day after officials announced the end of the project.

Because the project is the first of its kind in the Pacific Northwest, and one of few around the world, the initial \$20 million price tag was a rough estimate, Klein said.

Since 2006, the district has wrestled with a complex and expensive permitting and licensing process, Klein said. Unexpected fees, studies, delays and challenges, along with specific site and installation requirements, added up to more than expected.

Six months ago, the PUD received its final license and the OK to move forward with preparing an underwater site and installing the two 414-ton turbines.

The PUD has about a year to either start construction or rescind permits for the project. Officials plan to rescind.

"It doesn't necessarily mean that anybody was bad or foolish," Klein said. "[The Department of Energy] didn't need to come through with that 50 percent, but we made it clear that we couldn't justify moving forward without the funds. The real question is, why didn't they think it was worth funding?"

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Officials with the Department of Energy declined multiple requests for an interview. In a written statement, the department said it has remained true to the original \$10 million contract and cannot change the terms to award more. In addition, the department tries to be fair and support various projects around the country.

"SnoPUD was able to successfully navigate both state and federal permitting processes to become one of the few projects to acquire a Federal Energy Regulatory Commission pilot license," according to the statement. "Other developers can learn from the challenges SnoPUD encountered and ideally complete all permitting and regulatory requirements more efficiently."

The underwater turbine pilot project started in 2006. The PUD, which often seeks renewable energy sources, wanted to study the viability of tidal energy as a long-term power source. Turbines to capture tidal currents to generate electricity were to be installed 200 feet underwater off the west shore of Whidbey Island.

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Published: Monday, October 13, 2014, 12:01 a.m.
IN OUR VIEW / Snohomish PUD tidal project

PUD's tidal project well worth the investment

A boat, the weekend sailor's gripe goes, is a hole in the water you fill with money.

You might be tempted now to swap out "boat" for "tidal energy turbine."

Earlier this month, the Snohomish Public Utility District announced it was shelving its pilot project to install two giant turbines on the seafloor of Admiralty Inlet west of Whidbey Island to study the feasibility of adding tidal power to the PUD's portfolio of energy sources.

To date, the project has involved eight years of effort by the PUD and others to work through plans and permitting to address the concerns of environmentalists, tribes, residents, a telecommunication company and others. The turbines, during the three- to five-year study, would have been connected to the electrical grid and provided energy to PUD customers.

But the initial cost estimate of \$20 million to see the project through proved too optimistic. PUD General Manager Steve Klein told The Herald in an Oct. 3 article that the PUD believed it had a "gentleman's agreement" with the U.S. Department of Energy that it would pay half of the project's costs through grants and in-kind contributions.

Now, with the project's site preparation scheduled to start next year and bids ready to go out to contractors to build the turbines, the PUD recently went back to the DOE with an update of the project cost and a request for \$8.5 million more that the PUD would match. The PUD received a flat refusal; the DOE would make no further investment past its agreed-upon \$10 million. Ironically, much of the additional cost resulted from additional federally mandated studies and permits.

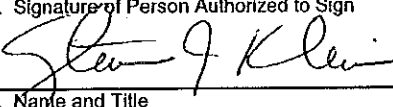
The Department of Energy said there was no "gentleman's agreement"; it committed to \$10 million and no more. It's hard to believe otherwise. Washington state officials and the state Department of Ecology have struggled to nail down the DOE on its commitments to clean up the Hanford Nuclear Reservation, and they have iron-clad written agreements and court orders in place.

Still, it's shortsighted of the DOE to hold to its \$10 million line, considering the benefit that could come of the project. If the PUD can't find a way to install the turbines and complete the study, it's difficult to see how any other tidal project would ever be built in Washington state waters. It's even more frustrating when you consider that this is a project promoting renewable energy, an investment that if other tidal projects follow would pay for itself many times over.

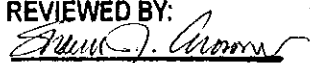
Unless the tidal project moves forward the eight years of effort and the money invested might as well be sitting in a hole in the water.

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ASSISTANCE AGREEMENT			
1. Award No. DE-EE0003648		2. Modification No. 0001	
3. Effective Date 09/01/2010		4. CFDA No. 81.087	
5. Awarded To PUBLIC UTILITY DISTRICT 1 OF SNOHOMISH COUNT Attn: GARTH WILLIAMS PO Box 1107 EVERETT WA 982061107		6. Sponsoring Office Energy Efficcy & Renewable Energy	
7. Period of Performance 09/01/2010 through 08/31/2015			
8. Type of Agreement ☒ Grant ☐ Cooperative Agreement ☐ Other		9. Authority 109-58, Energy Policy Act 2005 110-140 EISA (2007)	
10. Purchase Request or Funding Document No. 13EE003943			
11. Remittance Address PUBLIC UTILITY DISTRICT 1 OF SNOHOMISH COUNT Attn: GARTH WILLIAMS PO Box 1107 EVERETT WA 982061107		12. Total Amount Govt. Share: \$10,000,000.00 Cost Share : \$18,337,495.00 Total : \$28,337,495.00	
13. Funds Obligated This action: \$0.00 Total : \$3,000,000.00			
14. Principal Investigator Kim Moore Phone: 425-783-8606		15. Program Manager Tim R. Ramsey Phone: 720-356-1758	
16. Administrator Golden Field Office U.S. Department of Energy Golden Field Office 1617 Cole Blvd. Golden CO 80401-3393			
17. Submit Payment Requests To OR for Golden U.S. Department of Energy Oak Ridge Financial Service Center P.O. Box 4517 Oak Ridge TN 37831		18. Paying Office OR for Golden U.S. Department of Energy Oak Ridge Financial Service Center P.O. Box 4517 Oak Ridge TN 37831	
19. Submit Reports To See Attachment 2			
20. Accounting and Appropriation Data Grants & Agreements			
21. Research Title and/or Description of Project PUDGET SOUND PILOT TIDAL ENERGY PROJECT			
For the Recipient		For the United States of America	
22. Signature of Person Authorized to Sign 		25. Signature of Grants/Agreements Officer Signature on File	
23. Name and Title Steven J Klein - Gen. Manager		24. Date Signed 11/4/13	
26. Name of Officer Laura Merrick		27. Date Signed 09/23/2013	

REVIEWED BY:



DATE: 10/17/2013

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CONTINUATION SHEET

REFERENCE NO. OF DOCUMENT BEING CONTINUED

DE-EE0003648/0001

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NAME OF OFFEROR OR CONTRACTOR

PUBLIC UTILITY DISTRICT 1 OF SNOHOMISH COUNTY

ITEM NO. (A)	SUPPLIES/SERVICES (B)	QUANTITY (C)	UNIT (D)	UNIT PRICE (E)	AMOUNT (F)
	DUNS Number: 041334368 In addition to this Assistance Agreement, this award consists of the items listed in the Special Terms and Conditions, Provision 2, "Award Agreement Terms and Conditions." The Project Period for this award is 09/01/2010 through 08/31/2016, consisting of the following Budget Periods: Budget Period 1: 09/01/2010 to 08/31/2015 Budget Period 2: 09/01/2015 to 08/31/2016 In Block 7 of the Assistance Agreement, the Period of Performance reflects the beginning of the Project Period through the end of the current Budget Period. The Special Terms and Conditions for this award contain specific funding restrictions. Please review the applicable terms for procedures required to lift the restrictions. DOE Award Administrator: Jane Sanders E-mail: jane.sanders@go.doe.gov Phone: 720-356-1771 DOE Project Officer: Tim Ramsey E-mail: tim.ramsey@go.doe.gov Phone: 720-356-1758 Recipient Business Officer: Kim Moore E-mail: kdmoores@snopud.com Phone: 425-783-8606 Recipient Principal Investigator: Kim Moore E-mail: kdmoores@snopud.com Phone: 425-783-8606 "Electronic signature or signatures as used in this document means a method of signing an electronic message that-- (A) Identifies and authenticates a particular person as the source of the electronic message; (B) Indicates such person's approval of the information contained in the electronic message; and, (C) Submission via FedConnect constitutes electronically signed documents ASAP: NO: STD IMMEDIATE Extent Competed: COMPETED Continued ... Davis-Bacon Act: NO				

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CONTINUATION SHEET

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DE-EE0003648/0001

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PUBLIC UTILITY DISTRICT 1 OF SNOHOMISH COUNTY

ITEM NO. (A)	SUPPLIES/SERVICES (B)	QUANTITY (C)	UNIT (D)	UNIT PRICE (E)	AMOUNT (F)
	Fund: 05450 Appr Year: 2010 Allottee: 31 Report Entity: 200835 Object Class: 41020 Program: 1004905 Project: 0000000 WFO: 0000000 Local Use: 0000000				

JULY 2004